

Message Text

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PAGE 01 TUNIS 07096 01 OF 02 211655Z

44

ACTION AF-18

INFO OCT-01 EUR-25 ISO-00 CIAE-00 DODE-00 PM-07 H-03

INR-10 L-03 NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03

SS-20 USIA-15 AID-20 COME-00 EB-11 FRB-02 TRSE-00

XMB-07 OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01 AGR-20

DRC-01 IGA-02 INT-08 SCEM-02 SCI-06 TAR-02 /224 W

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R 211610Z DEC 73

FM AMEMBASSY TUNIS

TO SECSTATE WASHDC 4022

INFO USINT ALGIERS

AMEMBASSY PARIS

AMEMBASSY RABAT

AMEMBASSY ROME

AMEMBASSY TRIPOLI

LIMITED OFFICIAL USE SECTION 1 OF 2 TUNIS 7096

E.O. 11652: N/A

TAGS: EFIN, ECON, TS

SUBJ: PRIME MINISTER'S BUDGET SPEECH STRESSES PRAGMATIC
ECONOMIC POLICY

1. SUMMARY: PRIME MINISTER NOUIRA'S SPEECH TO NATIONAL
ASSEMBLY ON DE. 17 DESCRIBING ECONOMIC DEVELOPMENT BUDGET
AND STATE BUDGET FOR TUNISIAN FISCAL YEAR 1974 BEGINNING
JANUARY 1 WAS PRIMARILY GENERAL REVIEW OF PRESENT ECONOMIC
SITUATION AND PROJECTION THROUGH 1974. SPEECH PROVIDED
OCCASION TO RESTATE GENERAL LINES OF NEW LIBERAL GOT
ECONOMIC POLICY FIRST OUTLINED IN HIS SPEECH TO NATIONAL
ASSEMBLY IN NOVEMBER 1970 AND REAFFIRMED IN FOURTH DEVELOP-
MENT PLAN RATIFIED IN JULY 1973. NOUIRA CONFIRMED
GENERAL SLOW-DOWN OF ECONOMIC EXPANSION IN 1973 AFTER
EXCEPTIONALLY GOOD YEAR OF 1972 BUT FORESAW MAJOR
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PAGE 02 TUNIS 07096 01 OF 02 211655Z

PROGRESS IN 1974. SPEECH AND ECONOMIC BUDGET DO NOT

REFLECT TRANSFORMATION OF TUNISIAN ECONOMY WHICH MAY BECOME POSSIBLE BECAUSE OF RECENT INCREASES OF WORLD PRICE OF TUNISIA'S RAW MATERIALS EXPORTS. NOUIRA EMPHASIZED NEED FOR IMPROVEMENT OF LIVING STANDARDS OF INDIGENT POPULATION, PARTICULARLY IN RURAL AREA AND FOR GREATER PRIVATE ENTERPRISE. HE NOTED SHORTCOMINGS IN ATTAINING INVESTMENT OBJECTIVES IN 1973 BUT FELT MORE PROGRESS WOULD BE MADE IN 1974. END SUMMARY.

2. FOLLOWING ARE HIGHLIGHTS OF NOUIRA'S SPEECH.

A. GROSS DOMESTIC PRODUCT (GDP) INCREASED ONLY 2.8 PERCENT IN 1973 (COMPARED TO REMARKABLE 17.6 PERCENT INCREASE IN 1972) BUT IS EXPECTED TO INCREASE 9.1 PERCENT IN 1974 FOR AND ANNUAL AVERAGE OVER THE TWO YEARS OF 4.9 PERCENT, ONLY SLIGHTLY BELOW PLAN GOAL OF 5.4 PERCENT. DECREASE DUE PRIMARILY TO DROP OF 11.6 PERCENT IN AGRICULTURAL PRODUCTION IN 1973 AND, TO LESSER EXTENT, TO STAGNATION OF TOURISM SECTOR, WHICH ONLY INCREASED 1.7 PERCENT IN 1973. AGRICULTURE EXPECTED TO INCREASE 6.1 PERCENT IN 1974 (STILL BELOW EXCEPTIONAL 1972 PEAK) WHILE TOURISM PROJECTED TO INCREASE 15.3 PERCENT. INDUSTRY TO INCREASE AVERAGE OF 10 PERCENT IN BOTH YEARS ALTHOUGH INCREASE IN 1973 IS ESTIMATED AT ONLY 7.4 PERCENT.

B. TOTAL INVESTMENT IN 1973 WILL INCREASE 22.6 PERCENT IN 1973 AND 25 PERCENT IN 1974 BUT WILL STILL FALL SHORT OF PROJECTED INVESTMENT FOR THOSE TWO YEARS IN FOUR-YEAR PLAN. EXTERNAL FINANCING OF INVESTMENT IS ESTIMATED TO BE 23.2 PERCENT IN 1973 DECREASING TO 22.9 PERCENT IN 1974. INVESTMENT IN IMMEDIATELY PRODUCTIVE FACILITIES, WHICH WAS ROUGHLY 51 PERCENT OF TOTAL DURING FIRST DEVELOPMENT DECADE, SHOULD REACH 62 PERCENT IN 1974 WHILE PRIVATE INVESTMENT IS TO REACH 44 PERCENT OF TOTAL AS COMPARED TO 41 PERCENT PROJECTED BY THE PLAN. PROJECTED CAPITAL EXPENDITURES IN 1974 GOVT BUDGET IS 50 PERCENT GREATER THAN ESTIMATED 1973 CAPITAL EXPENDITURES WHICH HAD INCREASED ABOUT 15 PERCENT EACH OF PREVIOUS TWO YEARS. GREAT INCREASE POSSIBLE, NOUIRA SAID, BECAUSE OF INCREASED GOVERNMENT REVENUES.

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PAGE 03 TUNIS 07096 01 OF 02 211655Z

C. OPERATING BUDGET IS BALANCED AT 247.2 MILLION DINARS FOR 1974, 10.5 PERCENT HIGHER THAN IN 1973. NOUIRA EXPLAINED THAT THIS IS GREATER THAN 7.5 PERCENT INCREASE PROJECTED IN FOUR-YEAR PLAN BECAUSE OF RECENT INCREASES IN GOVERNMENT SALARIES AND EXPECTED ADDITION OF 5,000 TO GOVT PAYROLLS IN 1974. NOUIRA ALSO NOTED THAT

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PAGE 01 TUNIS 07096 02 OF 02 211653Z

45

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TAGS: EFIN ECON TS

SUBJECT: PRIME MINISTER'S BUDGET SPEECH STRESSES PRAGMATIC
ECONOMIC POLICY

IN 1974. TUNISIA WILL INSTITUTE A VALUE ADDED TAX (TVA)
AND MADE REFERENCES TO INCREASES IN ESTIMATED REVENUES
FROM PETROLEUM FOR 1974. LATTER, HOWEVER, DOES NOT REFLECT
RECENT REMARKABLE PRICE INCREASES FOR CRUDE OIL.

D. NOUIRA ALSO RECOGNIZED NEED FOR IMPROVEMENT OF
OPERATION OF PUBLIC ENTERPRISES AND STRESSED THAT TUNISIAN
SOCIALISM, LIKE THAT IN SWEDEN, WEST GERMANY, AND SOME OTHER
EUROPEAN COUNTRIES, "REFUSES TO CONFUSE SOCIALISM AND
COLLECTIVISATION," NOTING THAT TUNISIA'S BRAND OF SOCIALISM
IS "DISTRIBUTIVE--NOT COLLECTIVIST." HE STRESSED NEED FOR
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PAGE 02 TUNIS 07096 02 OF 02 211653Z

BETTER DISTRIBUTION OF NATIONAL INCOME AND POINTED OUT THAT SALARY FREEZES BEFORE 1971 MEANT THAT AS FACTOR OF PRODUCTION LABOR WAS NOT LONGER RECEIVING A FAIR RETURN. IN 1972, LABOR'S SHARE OF NATIONAL INCOME INCREASED 20 PERCENT, WHILE FURTHER INCREASE OF 20 PERCENT EXPECTED IN 1973 FOR WORKERS AND EMPLOYEES OF STATE ENTERPRISES. GOT INITIATIVE HAS THUS BEEN LARGELY RESPONSIBLE FOR "LEAP FORWARD" IN TOTAL LABOR INCOME. FURTHER INCREASES PROJECTED IN 1974 LARGLEY AS RESULT OF INSTITUTION OF SMIG (TUNIS A-200) WHICH WILL RAISE MINIMUM WAGE RATES AND TIE IT TO COST OF LIVING AND WORKER PRODUCTIVITY. NOUIRA RECOGNIZED THAT SALARY INCREASES HAVE NOT YET BENFITTED AGRICULTURAL POPULATION AND STRESSED THAT GOVERNMENT EFFORTS BEING DIRECTED TO EXPAND AGRICULTURAL PRODUCTION AND ASSIST RURAL POPULATIONS BY DECENTRALIZING INDUSTRY AND PROMOTING SMALL AND MEDIUM-SIZED ENTERPRISE.

E. NOUIRA RECOGNIZED THAT PROJECTED INCREASES OF INVESTMENT, EXPANSION OF MONEY SUPPLY AND RECENT SALARY INCREASES WILL RESULT IN CONSIDERABLE UPWARD PRESSURE ON PRICES. GOVERNMENT PRACTICING ACTIVE PRICE POLICY IN ORDER ASSURE EQUITABLE DISTRIBUTION OF ECONOMIC WEALTH AND MAINTAINS FIXED RETAIL PRICES OF MANY BASIC NECESSITIES THROUGH LARGE GOVERNMENT SUBSIDIES. HE WARNED THAT THERE IS LIMIT TO EXTENT GOT DAN PASS ON COST OF THESE SUBSIDIES, WHICH ARE INCREASING GREATLY AS RESULT OF RISING WORLD PRICES, TO TAXPAYER RATHER THAN HAVING THEM PAID BY ULTIMATE CONSUMER. NOUIRA STATED THAT IN 1974, TAX ON INCOMES BELOW 360 DINARS PER YEAR WILL BE ABOLISHED. AS MEASURE OF GOT EFFORT ASSURE MORE EQUITABLE DISTRIBUTION OF INCOME, NOUIRA SAID MIDDLE CLASS HAS INCREASED FROM 20 PERCENT IN 1962 TO 55 PERCENT IN 1972, BUT HE POINTED OUT THAT LARGE PROPORTION OF POPULATION CAN STILL BE CLASSIFIED AS BELOW POVERTY LEVEL.

3. COMMENT: NOUIRA SPEECH PRESSAGED NO NEW DEPARTURES AND WAS ESSENTIALLY REPEAT OF POLICIES FOR FOUR YEAR PLAN. WHILE STATING GOT ADHERENCE TO "SOCIALISM", NOUIRA SEEMS TO INTERPRET THIS TO MEAN PRIMARILY CONCERN FOR POORER ELEMENTS OF POPULATION WHILE FOLLOWING PRAGMATIC RATHER THAN DOCTRINAIRE POLICIES. HE APPEARS TO

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PAGE 03 TUNIS 07096 02 OF 02 211653Z

RECOGNIZE THAT IF DEVELOPMENT GOALS ARE TO BE REALIZED, TUNISIA MUST TURN TO GREATER PRIVATE INITIATIVES AS WELL AS

TO IMPROVEMENT OF OPERATION OF STATE ENTERPRISES.

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